

CANADIAN ARROW MINES LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1971

CANADIAN ARROW MINES LIMITED

Head Office

Suite 1921
Bank of Nova Scotia Building
44 King Street West
Toronto 105, Ontario

Directors

J. Geddes
Clarkson
E. G. Huggard
Windsor
E. R. Huggard
Arnprlor
G. A. MacMillan
Tottenham, R.R. No. 2
D. W. Reeves
North Bay

Officers

G. A. MacMillan
President
E. G. Huggard
Vice-President
F. Blair
Secretary/Treasurer

Transfer Agent and Registrar

Premier Trust Company
19 Richmond Street West
Toronto

Auditors

Thorne, Gunn, Hellwell &
Christenson
Toronto

Annual Meeting

11th Floor
Board of Trade Building
11 Adelaide Street West
Toronto
May 5, 1972, at 10 a.m.
(Toronto Time)

REPORT OF THE DIRECTORS

To the Shareholders:

The directors now present the annual report of Canadian Arrow Mines Limited for the year ended December 31, 1971. The auditors' report on the financial statements, with balance sheet as at December 31, 1971, and such statements, form part of the report.

INVESTMENTS

As indicated in the financial statements, the Company realized during the year some \$25,000 on liquidation of some of the shareholdings in its portfolio. The presentation of the accounts this year includes a new item "Allowance for Decline in Value". It was considered that this was appropriate in view essentially of the abnormal decline in value on the Toronto Stock Exchange of a long standing investment of the Company.

PROPERTIES

During the year, the optioned claims in Halliday Township, District of Sudbury, Ontario accounted for the greater part of the Company's expenditures in exploration. After surface exploration of a portion of the claims, by way of geochemical, magnetic and electromagnetic surveys, some 3,000 feet of diamond drilling was carried out to check anomalies revealed. According to the Company's consultant, no significant values were intersected by this drilling. Further surface prospecting in another portion of the claims uncovered some zinc showings which appear to be extensions of the showing on adjacent property where preparations are being made to explore by diamond drill. It is hoped that some indications of results obtained will be available in the spring. Meanwhile the option has been re-arranged so that by the payment of \$5,000 last December the next money (\$45,000) required to continue the option would not have to be paid until July 1, 1972, with similar postponements of the times for further optional payments.

No further work was done on the eight unpatented mining claims in Clarendon Township, Frontenac County, Ontario, held as an uranium prospect, and these were allowed to lapse during the year.

The Company retained its gold prospect patented ground in Hislop Township, District of Cochrane and in the Dogpaw Lake area, District of Kenora, Ontario and, through its holdings in Slocan Rambler Mines (1947) Limited, its silver-lead-zinc interests in Sandon, British Columbia.

OUTSIDE EXPLORATION

No prospects submitted during 1971 seemed suitable for the Company to spend further money in investigating.

Respectfully submitted,

On Behalf of the Board,

G. A. MacMillan,
President.

Toronto, Ontario,
March 20, 1972.

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CANADIAN ARROW MINES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
(Unaudited)

Six months ended June 30, 1971
(with comparative figures for the six months
ended June 30, 1970).

	<u>1971</u>	<u>1970</u>
<u>SOURCE OF FUNDS</u>		
Proceeds from sales of shares in other companies less purchase of shares	25,696	5,148
Interest and dividends received	<u>6,240</u>	<u>17,103</u>
	<u>31,936</u>	<u>22,251</u>
<u>APPLICATION OF FUNDS</u>		
Exploration expenditures		
Halliday Township	35,310	--
Other (excluding depreciation)	<u>5,591</u>	<u>2,026</u>
	<u>40,901</u>	<u>2,026</u>
Administration and general exploration expenditures (excluding depreciation)	<u>12,032</u>	<u>13,584</u>
	<u>52,933</u>	<u>15,610</u>
Purchase of equipment less proceeds from sale	2,222	2,512
Organization expenses	--	65
Advances to associated mining company	<u>1,800</u>	--
	<u>56,955</u>	<u>18,187</u>
Increase (decrease) in working capital	(25,019)	4,064
Working capital at beginning of period	<u>229,485</u>	<u>270,636</u>
Working capital at end of period	<u>204,466</u>	<u>274,700</u>

Suite 1921, 44 King St. West,
Toronto, Ontario
August 4, 1971.

CANADIAN ARROW MINES LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET — DECEMBER 31, 1971

(with comparative figures at December 31, 1970)

ASSETS

	1971	1970
CURRENT ASSETS		
Cash, including term deposits	\$ 185,314	\$ 233,910
Accrued interest receivable	4,350	
Accounts receivable		575
	<u>189,664</u>	<u>234,485</u>
INTEREST IN OTHER COMPANIES		
Listed shares, at cost (quoted market value 1971, \$26,518; 1970, \$77,731)	104,313	124,603
Other shares and advances, at cost less amounts written off	33,084	30,740
	<u>137,397</u>	<u>155,343</u>
Less allowance for decline in value	80,000	
	<u>57,397</u>	<u>155,343</u>
FIXED ASSETS		
Buildings and equipment, at cost	42,893	42,540
Less accumulated depreciation	36,921	37,149
	<u>5,972</u>	<u>5,391</u>
Mining claims		
Township of Hislop, Ontario acquired for \$5,583 paid in cash and 1,046,060 shares valued at \$12,303, less amounts written off	12,228	17,886
Dogpaw Lake Area, Ontario, at nominal value	1	1
	<u>18,201</u>	<u>23,278</u>
OTHER ASSETS AND DEFERRED CHARGES		
Option on 38 mining claims in Township of Halliday, Ontario (note 1)	30,000	25,000
Exploration, development and administrative expenditures deferred (note 2)	547,830	507,604
Organization expense	4,710	4,710
	<u>582,540</u>	<u>537,314</u>
	<u>\$ 847,802</u>	<u>\$ 950,420</u>

LIABILITIES

	Nil	\$ 5,000
CURRENT LIABILITIES		
Accounts payable and accrued liabilities		
	<u>Nil</u>	<u>\$ 5,000</u>
SHAREHOLDERS' EQUITY		
Capital stock		
Authorized — 5,000,000 shares of \$1 each		
Issued — 3,557,287 shares	\$3,557,287	3,557,287
Less discount on shares	2,314,717	2,314,717
	<u>1,242,570</u>	<u>1,242,570</u>
Deduct deficit	394,768	297,150
	<u>847,802</u>	<u>945,420</u>
Approved by the Board,		
G. A. MacMILLAN, Director.	<u>\$ 847,802</u>	<u>\$ 950,420</u>
E. R. HUGGARD, Director.		

CANADIAN ARROW MINES LIMITED

STATEMENT OF EXPLORATION, DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES DEFERRED

Year Ended December 31, 1971

(with comparative figures for 1970)

	<u>1971</u>	<u>1970</u>
Exploration		
Halliday Township, Ontario		
Staking	\$ 29,039	\$ 600
Diamond drilling	5,319	10,565
Magnetic electromagnetic and geochemical surveys	2,039	
Surface exploration	420	1,500
Geologist expenses	150	
Recording and abstracts	<u>36,817</u>	<u>12,815</u>
Hislop Township, Ontario		
Taxes and insurance	556	504
Depreciation of buildings and equipment	556	5,541
	<u>556</u>	<u>6,045</u>
General exploration expenses		
Engineer's fees and expenses	7,000	3,700
Travelling expenses	576	1,173
Field office expenses	1,200	1,200
Depreciation of automobile	1,012	963
Other	965	1,022
	<u>10,753</u>	<u>8,058</u>
Total exploration expenditures	<u>48,126</u>	<u>26,918</u>
Administrative and general		
Office rent and occupancy expenses	9,216	10,662
Office salaries	5,355	5,019
Telephone and telegraph	1,487	1,094
Directors' fees	300	375
Meeting and report expenses	1,632	1,700
Stock exchange fees and expenses	200	712
Share issue and transfer expense	1,009	2,031
Legal and audit fees	1,995	3,128
Depreciation of office equipment	629	786
Business taxes	1,317	
General expense	1,338	1,703
Charge to associated companies for office services	(3,900)	(2,925)
	<u>20,578</u>	<u>24,285</u>
Total expenditures	<u>68,704</u>	<u>51,203</u>
Deduct interest and dividends received	<u>11,348</u>	<u>26,625</u>
Excess of expenditures over interest and dividends received	<u>57,356</u>	<u>24,578</u>
Balance deferred at beginning of year	<u>507,604</u>	<u>493,048</u>
	<u>564,960</u>	<u>517,626</u>
Deduct exploration expenditures written off to deficit		
General exploration	10,753	8,058
Clarendon Township, Ontario	6,377	
Rawhide Lake, Sudbury, Ontario	1,964	
	<u>17,130</u>	<u>10,022</u>
Balance deferred at end of year	<u>\$547,830</u>	<u>\$507,604</u>

CANADIAN ARROW MINES LIMITED

STATEMENT OF EXPLORATION, DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES DEFERRED (Continued)

Year Ended December 31, 1971
(with comparative figures for 1970)

Summary of expenditures deferred	1971	1970
Exploration and development of claims		
Hislop Township, Ontario	\$460,821	\$460,265
Halliday Township, Ontario	49,632	12,815
Clarendon Township, Ontario		6,377
	510,453	479,457
Administrative and general expenses less interest and dividends received	37,377	28,147
	<u>\$547,830</u>	<u>\$507,604</u>

STATEMENT OF DEFICIT

Year Ended December 31, 1971
(with comparative figures for 1970)

	1971	1970
Deficit at beginning of year	\$297,150	\$287,670
Exploration expenditures written off		
General exploration	10,753	8,058
Clarendon Township, Ontario	6,377	
Rawhide Lake, Sudbury, Ontario		1,964
Cost of mining claims in Township of Hislop, Ontario, written off	5,658	
Allowance for decline in value of interest in other companies	80,000	
	399,938	297,692
Deduct profit on sale of shares	5,170	542
Deficit at end of year	<u>\$394,768</u>	<u>\$297,150</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended December 31, 1971
(with comparative figures for 1970)

	1971	1970
Source of funds		
Interest and dividends received	\$ 11,348	\$ 26,625
Proceeds from sales of shares in other companies less cost of purchases	25,696	5,148
	<u>37,044</u>	<u>31,773</u>
Application of funds		
Exploration and administrative expenditures	68,704	51,203
Deduct depreciation not involving current outlay	1,641	7,290
	<u>67,063</u>	<u>43,913</u>
Option payment on mining claims in Halliday Township, Ontario	5,000	25,000
Purchase of other fixed assets, net	2,222	2,511
Advances to other mining companies	2,580	1,500
	<u>76,865</u>	<u>72,924</u>
Decrease in working capital	39,821	41,151
Working capital at beginning of year	229,485	270,636
Working capital at end of year	<u>\$189,664</u>	<u>\$229,485</u>

CANADIAN ARROW MINES LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 1971

1. OPTION TO PURCHASE MINING CLAIMS

To exercise the option on mining claims in Halliday Township, Ontario further cash payments are required consisting of \$45,000 by July 1, 1972, \$50,000 by July 1, 1973 and \$375,000 by July 1, 1974. In addition, by July 1, 1974 a new company is to be incorporated with capital of 3,000,000 shares, to which the claims are to be transferred. In consideration for this transfer, the optionors are to receive 300,000 shares and Canadian Arrow Mines is to receive the maximum number of shares permitted under the applicable securities regulations.

2. AMORTIZATION

Exploration, development and administrative expenditures amounting to \$547,830 at December 31, 1971 have been deferred with the intention that they should be amortized along with the cost of mining claims by charges against income from future mining operations. The recovery of these costs is dependent, therefore, upon the obtaining of adequate financing and the development of an economic mining operation.

3. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Direct remuneration of directors and senior officers as defined by The Business Corporations Act, 1970, Ontario amounted to \$12,655 in 1971 and \$9,094 in 1970.

AUDITORS' REPORT

To the Shareholders of
Canadian Arrow Mines Limited

We have examined the balance sheet of Canadian Arrow Mines Limited as at December 31, 1971 and the statements of exploration, development and administrative expenditures deferred, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON,

Toronto, Canada,
January 20, 1972.

Chartered Accountants.

CANADIAN ARROW MINES LIMITED

Annual Meeting of the Shareholders

May 5, 1972

INFORMATION CIRCULAR

as at March 20, 1972

SOLICITATION OF PROXIES

This information circular is furnished in connection with the solicitation by the management of Canadian Arrow Mines Limited ("the Company") of proxies to be used at the Annual Meeting of Shareholders of the Company to be held at the time and place and for the purposes set forth in the accompanying notice of meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by regular personnel of the Company at nominal cost. The Company does not intend to pay any compensation for the solicitation of proxies. The cost of solicitation by management will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the accompanying form of proxy are officers and directors of the Company. A shareholder desiring to appoint some other person to attend and act for him and on his behalf at the meeting may do so either by inserting such other person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Company.

A shareholder who has given a proxy may revoke it either (a) by signing a proxy bearing a later date and delivering it to the Company, or (b) as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by signing written notice of revocation and delivering it to the Company or the Chairman of the meeting, or (c) attending at the meeting and orally revoking such proxy.

Where a proxy or revocation is signed by a corporation, its corporate seal must be affixed.

EXERCISE OF DISCRETION BY PROXIES

The shares represented by the proxy will be voted on any item on which a ballot is taken and, where the person whose proxy is solicited specifies a choice with respect to any matter to be acted upon, the shares shall, subject to section 121 of The Business Corporations Act 1970, be voted in accordance with the specification so made. In the absence of such specification, such shares if voted will be voted in favour of:

- (a) the approval of the 1971 Annual Report which includes the Report of the Directors, the Financial Statements for the period ended December 31, 1971 and the Auditors' Report;
- (b) the election as directors of the nominees designated below; and
- (c) the appointment as auditors of Thorne, Gunn, Helliwell & Christenson with authority to the directors to fix their remuneration.

The accompanying form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting, and any adjournment thereof. At the time of printing this Circular the management of the Company knows of no such amendments, variations or other matters to come before the meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

At the date hereof there were outstanding 3,557,287 shares of the Company with a par value of \$1.00 each and each carrying the right to one vote. To the best knowledge of the directors and senior officers of

the Company, the following are the only persons or companies beneficially owning directly or indirectly shares carrying more than 10% of the voting rights attached to all issued shares of the Company:

<u>Name</u>	<u>Shares</u>
Airquests Limited	669,398
Kam-Kotia Mines Limited and its wholly-owned subsidiary, Deebank Limited	704,417
MacMillan Prospecting & Development Limited	505,647

Shareholders of record at the time of the meeting will be entitled to attend and vote at the meeting. The recorded addresses of Shareholders are indicated on the printed Proxy furnished with the Notice of Meeting. Shareholders are urged to see that the Company or the Transfer Agent, Premier Trust Company, 19 Richmond Street West, Toronto, have their current addresses.

ELECTION OF DIRECTORS

The board consists of five directors. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below, all of whom except F. Blair who has been Secretary-Treasurer for a number of years are now members of the board of directors and have been since the dates indicated. The management does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next Annual Meeting or until his successor is duly elected unless his office is earlier vacated in accordance with the by-laws.

The following table states the names of all the persons proposed by management to be nominated for election as directors, all other positions and offices with the Company now held by them, their principal occupations and number of shares of the Company beneficially owned directly or indirectly by each of them as of the date hereof:

<u>Name and Office Held</u>	<u>Principal Occupation during past five years</u>	<u>Shares</u>	<u>Became Director</u>
G. A. MacMillan* (President)	Independent Prospector	349,599 direct**	1938
E. G. Huggard (Vice-President)	Retired; former Toolmaker	—	1968
J. Geddes*	Accountant	—	1956
F. Blair (Secretary/Treasurer)	Accountant	5,500***	—
E. Ross Huggard*	Teacher	—	1968

*denotes member of audit committee.

**G. A. MacMillan also owns the majority of the issued shares of Airquests Limited and MacMillan Prospecting & Development Limited which, as mentioned above, own respectively 669,398 and 505,647 shares of the Company.

***Held in joint ownership with husband, Thomas Blair.

NOTE: The information with respect to directors and shares beneficially owned by them, not being within the knowledge of the Company, has been furnished by the respective directors individually.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

No remuneration other than a nominal fee per meeting attended was paid or is payable by the Company to the directors and senior officers of the Company as such for the fiscal year ended December 31, 1971 or is proposed to be paid except for a retainer of \$1,000 per month authorized by the President, G. A. MacMillan. In 1971 \$7,000 only was claimed and paid, under the retainer. The Secretary-Treasurer received for accounting services to this and associated companies \$5,355 and it is expected that a similar amount will be paid during the current year.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the appointment of Thorne, Gunn, Helliwell & Christenson, Chartered Accountants, Toronto, as auditors of the Company to hold office until the next Annual Meeting of Shareholders. Thorne, Gunn, Helliwell & Christenson and their predecessors, Gunn, Roberts & Co., have been the auditors of the Company for more than five years.